

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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Postal Rate and Fee Changes, 1997

Docket No. R97-1  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

**NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
UNITED STATES POSTAL SERVICE WITNESS  
DAVID R. FRONK (NAA/USPS-T32-1-20)  
August 21, 1997**

The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness David R. Fronk (USPS-T-32) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

By:




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**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

August 21, 1997

  
William B. Baker

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NAA/USPS-T32-1. Please refer to your testimony at page 23, lines 2-3.

- a. Please provide all cost studies and analyses that support a rate of 23 cents for each additional ounce.
- b. Did you consider decreasing the additional ounce rate for First-Class Mail? If not, why not? If yes, why did you reject this alternative?

NAA/USPS-T32-2. Please refer to your testimony at page 23, lines 10-12.

- a. How much of the \$4.3 billion in revenue in FY96 from the additional ounces represented a contribution to institutional costs? In other words, by how much did this additional revenue exceed the attributable costs of processing the additional ounces of mail? If exact figures are not available, please provide your best estimate.
- b. In FY98 (after rates), what is the projected revenue from the additional ounces?
- c. Please provide, for FY98 at the proposed rates, the contribution to institutional costs:
  - (1) by the additional ounces in First-Class Mail in the aggregate.
  - (2) by the additional ounces of First-Class Mail by ounce increment.
  - (3) Please explain your response.

NAA/USPS-T32-3. Please refer to Exhibit USPS-32A.

- a. Please confirm that the proposed rate for a carrier-route automation one-ounce letter is 24.6 cents. If you cannot confirm this figure, please provide the correct rate.
- b. Please confirm that the proposed rate for a carrier-route automation two-ounce letter is 47.6 cents. If you cannot confirm this figure, please provide the correct rate.

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- c. Please confirm that the proposed rate for the two-ounce letter in part (b) is almost twice (193%) the rate for the one-ounce letter in part (a). If you cannot confirm this difference, please provide the correct figure.
- d. Please confirm that the proposed rate for a four-ounce 3/5-digit automation flat is 97.0 cents. If you cannot confirm this rate, please provide the correct rate.
- e. Please confirm that the proposed rate for an eight-ounce 3/5-digit automation flat is \$1.89. If you cannot confirm this rate, please provide the correct rate.
- f. Please confirm that the proposed rate for the eight-ounce piece in part (e) is almost twice (195%) the rate for the four-ounce piece in part (b). If you cannot confirm this difference, please provide the correct figure.

NAA/USPS-T32-4. Please refer to the testimony of Postal Service Witness Moeller (USPS-T-36) at page 24, lines 7-18. Witness Moeller proposes to reduce the pound rate for Standard A Mail. He justifies this proposal, in part, based upon the fact that the Postal Service is not indifferent between processing and delivering two 4-ounce pieces and one 8-ounce piece of Standard A Mail.

- a. Given that you are proposing rates for some categories of mail that would result in revenues from two 4-ounce pieces being roughly equivalent to the revenues from one 8-ounce piece, is the Postal Service indifferent between processing two 4-ounce pieces and one 8-ounce piece of First-Class Mail?
- b. If your response to part (a) is no, please explain all of the reasons why you have not proposed a lower extra ounce rate for First-Class Mail.

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NAA/USPS-T32-5. Please refer to your testimony at page 24, lines 5-8.

- a. Please confirm that the proposed rate for a non-standard sized non-presorted one ounce letter or flat is 49 cents. If you cannot confirm this rate, please provide the correct rate.
- b. Please confirm that the proposed rate in part (a) represents a 14 percent rate increase for these pieces of First-Class Mail. If you cannot confirm this figure, please provide the correct figure.
- c. In your view, is 14 percent an excessively high rate increase for this mail? If not, why not?
- d. How many pieces of First-Class Non-presorted Mail are expected to pay the non-standard surcharge in FY98?
- e. Please confirm that the proposed rate for a non-standard sized presorted one ounce letter or flat is 42 cents. If you cannot confirm this rate, please provide the correct rate.
- f. Please confirm that the proposed rate in part (d) represents a 21.7 percent rate increase for these pieces of First-Class Mail. If you cannot confirm this figure, please provide the correct figure.
- g. In your view, is 21.7 percent an excessively high rate increase for this mail? If no, why not?
- h. How many pieces of First-Class Presorted Mail are expected to pay the non-standard surcharge in FY98?

NAA/USPS-T32-6. Please refer to your testimony at page 27, lines 13-14. Are the somewhat smaller estimated cost savings used in this docket also the result of the proposed new attribution method for mail processing costs? If no, please explain.

NAA/USPS-T32-7. Please refer to your testimony at page 8, lines 14-16. What percentage of institutional cost contribution did First-Class Mail account for in FY 1996?

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NAA/USPS-T32-8. Please refer to your testimony at page 8, lines 16-17. What percentage of institutional cost contribution did single-piece, non-presorted First-Class Mail account for in FY 1996?

NAA/USPS-T32-9. Please refer to your testimony at page 16, lines 5-7. What percentage of First-Class delivery-point barcoded letters are eligible for the carrier route rate?

NAA/USPS-T32-10. Please refer to page 20, lines 7-9. Does the cited language imply that a pass-through in a discount of 100 percent of the estimated costs avoided by the Postal Service by the discounted function is optimal rate design?

NAA/USPS-T32-11. Is a pass-through of 100 percent of the difference in USPS cost between two categories of mail generally desirable as a matter of rate design on the ground that doing so allows a mailer to select the category most desirable to it on the basis of cost difference and service? Please explain.

NAA/USPS-T32-12. Please refer to your testimony at page 21, lines 6-7, which can be read in the past tense. Is it still a goal today of the Postal Service "to work toward a mailstream that is as barcoded as practicable"?

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NAA/USPS-T32-13. Please refer to your testimony at page 24, lines 1-3, where you state that you reduced the nonautomated presort discount (which you propose to set at 90 percent of the measured costs avoided) "to increase the incentive for mailers to prebarcode their mail and thus to further the automation goals of the Postal Service."

- a. Is this reduction consistent with the principle of Efficient Component Pricing?
- b. Does a tension exist in this instance between ECP and the Postal Service's automation program?

NAA/USPS-T32-14. Please confirm that the proposed monthly and annual permit fees for Prepaid Reply Mail will tend to limit the number of businesses that will find it economical to offer PRM envelopes/cards to their correspondents. If you cannot confirm, please explain why not.

NAA/USPS-T32-15. Please refer to your testimony at page 39, lines 8-10, where you state that "[e]ach participating business would need to maintain a certified, high-quality, easily-audited system for determining the amount of [PRM] mail received." Please provide your best understanding of what the cost to a business will be to maintain such a system and identify all documents or information upon which you rely as a basis for that understanding.

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NAA/USPS-T32-16. Please refer to your testimony at page 43, lines 1-4. In estimating the break-even BRM volume needed to make the monthly PRM fee less expensive than the per-piece BRM fees, did you take into account the costs to the businesses of maintaining the necessary PRM system? If so, please explain how you did so. If not, please explain why not.

NAA/USPS-T32-17. Please refer to your testimony at page 43, lines 5-6. What is the "limited information" that the Postal Service has regarding how much courtesy reply mail might switch to PRM? Does the Postal Service have information other than the Household Dairy Study cited in your testimony?

NAA/USPS-T32-18: Do your estimated volumes for PRM and QBRM take into account any volume increase in response to the rate discount? Please explain.

NAA/USPS-T32-19. Please refer to your testimony at page 43, lines 13-14. Does this mean that you are estimating that up to 10 percent of the courtesy reply mail sent by credit card companies and utilities will switch to PRM? What is the basis for this estimate?

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NAA/USPS-T32-20. Please confirm that the revenue "leakage" from the PRM and QBRM proposals can be calculated by multiplying the estimated volumes for those two categories by 3 cents per piece. If you cannot confirm, please provide the proper calculation.